



STATE OF NORTH CAROLINA
DEPARTMENT OF TRANSPORTATION

ROY COOPER
GOVERNOR

J. ERIC BOYETTE
SECRETARY

October 1, 2020

Executive Summary:

During SFY 2020, the cash balance decreased \$168 million, to \$266 million on June 30, 2020. The cash balance at month's end during the period averaged \$360.4 million. Under current legislative directives, NCDOT's targeted cash balance for SFY 2020 was between \$585 million and \$781 million. The statutory minimum cash balance for SFY 2020 was \$293 million.

Legislative Directive:

This report was prepared pursuant to GS 143C-6-11 (k) Highway Appropriation requiring NCDOT to:

1. Utilize cash flow financing to the extent possible to fund transportation projects with the goal of reducing the combined average daily cash balance of the Highway Fund and the Highway Trust Fund to an amount equal to between fifteen and twenty percent (15-20%) of the total appropriations for the current fiscal year from those funds. In projecting cash balances in future years, the Department shall use the estimated cash flow as specified in the Current Operations Appropriation Act. Any federal funds on hand shall not be considered as cash for the purposes of this subsection. The target amount shall include an amount necessary to make all municipal-aid funding requirements of the Department.
2. Establish necessary management controls to facilitate use of cash flow financing, such as establishment of a financial planning committee, development of a monthly financing report, establishment of appropriate fund cash level targets, review of revenue forecasting procedures, and reduction of accrued unbilled costs.
3. Report annually, on October 1 of each year, to the Joint Legislative Transportation Oversight Committee on its cash management policies and results.

Financial Planning:

NCDOT uses a variety of statistical models to plan cash balance targets and to forecast construction expenditures. The output of these models along with legislative program budgets, project lists, historical outcomes, and revenue projections guide the development of the State Transportation Improvement Program (STIP).

The project lists reflect planned expenditures that may be adjusted over the life of the program due to normal preconstruction and construction activities such as design alternatives, right of way acquisition and permitting. NCDOT continuously monitors and updates forecast in response to changes in the schedule, project scope, cost estimates, and revenue forecasts.

Results:

Revenue losses related to the COVID-19 pandemic resulted in reductions to the NCDOT total cash balance. At the end of April, the NCDOT cash balance was \$270 million, below the minimum balance established by G.S. 143-6-11. The cash balance remained below the statutory minimum for the remainder of SFY 2020. As a result, the department was prohibited from entering into new transportation contract commitments.

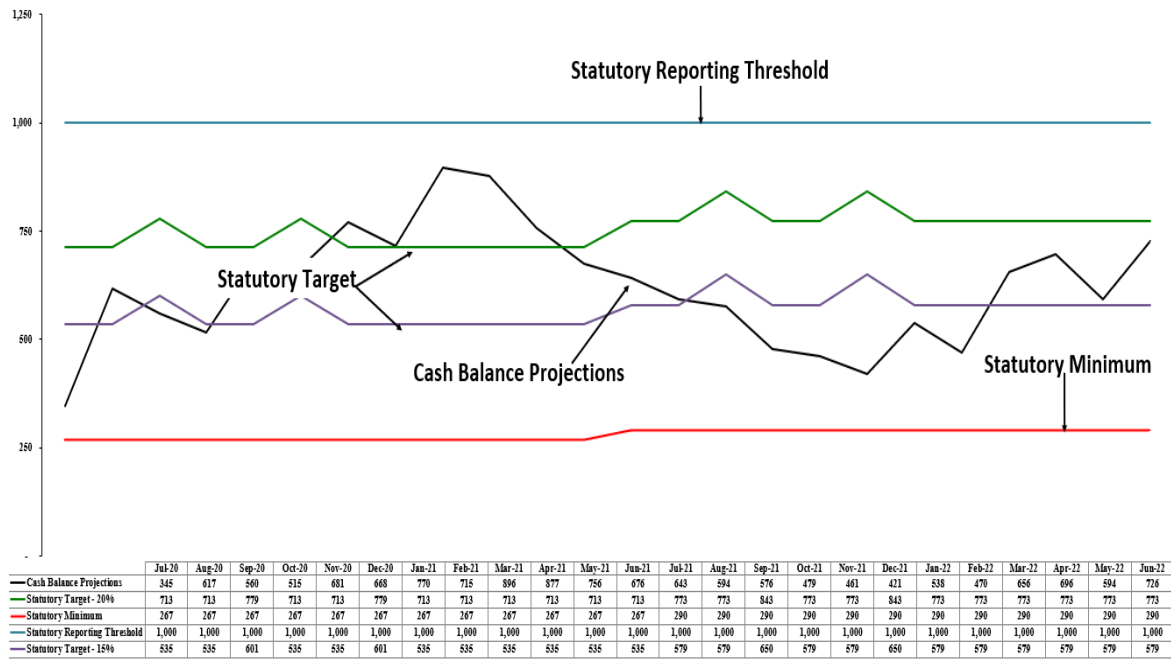
Under current legislative directives, NCDOT's targeted cash balance for SFY 2020 was between \$585 million and \$781 million. The average month-end cash balance was \$360.4 million and the year-end cash balance as of June 30, 2020, was \$266 million.

Actions taken by the Department to Stabilize Cash Balances during SFY 2020:

- Reduced spending on highway operations and maintenance programs. Contract lettings for maintenance programs were suspended for 12 months.
- Delayed the letting of construction projects in the STIP
- Suspended preliminary engineering on most of the projects that did not receive bond funding or federal funding.
- Reduced right of way expenditures by delaying projects.
- Continued to move forward with plans authorized under G.S. 142-97 and S.L. 2019-251 to issue Build NC bonds for transportation projects.
- Furloughed NCDOT employees
- Reduced contract employee staffing
- Delayed or reduced Public Transportation programs and grants
- Postponed or delayed Aviation projects and grants
- Canceled or operated reduced schedules of Ferry routes
- Reduced service of the passenger train and slowed Rail grant awards
- Reduced transfer to the Ports Authority

Cash Model Reports:

Financial reports and issues are reviewed monthly by the Financial Planning Committee as chaired by the Chief Financial Officer. Financial updates are presented to the Board of Transportation, including a summary model view that projects the cash balance, target, and floor. <http://www.ncdot.gov/about/board/>



The projected cash balance is represented by the black line. The cash balance target is the area between the green line, which is 20% of annual state appropriations and the purple line, which is 15% of annual state appropriations. The red line is the cash floor equal to 7.5% of state appropriations. The blue line is the \$1.0 billion statutory reporting threshold.

NCDOT is currently working to stabilize cash balances. For conservative financial planning, NCDOT is basing state revenue projections on the May consensus revenue forecast and federal revenue projections are consistent with prior year funding. Once a continuing federal resolution is passed the department will reevaluate the expected federal revenue projections. NCDOT has revamped the Financial Planning Committee to include NCDOT management and staff, Board of Transportation members, and partners from OSBM and FHWA. The NCDOT spend plan has been reviewed by the FPC and has been referred to the Board of Transportation and OSBM. The board is scheduled to review and vote on the spend plan at its October meeting.

SFY 2020 Performance Measure Results:

As of June 30, 2020, actual revenues collected were \$6,119.7 million versus planned collections of \$6,545.0 million which is \$425 million less than forecast. For the same period, actual expenditures were \$6,526.8 million versus \$6,367.8 million which is \$159 million more than forecasted.

NCDOT Finances

Select Financial Report:

SFY20: Thru June 2020

Stephanie King

Chief Financial Officer

Receipts

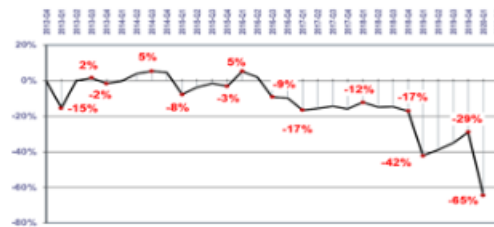
<u>Planned to Actual Receipts</u>	
Planned	\$6,545.0
Actual	\$6,119.7
Variance	-6.5%

Expenses

<u>Planned to Actual Expenses</u>	
Planned	\$6,367.8
Actual	\$6,526.8
Variance	2.5%

Purchasing Power

Purchasing Power of NCDOT Highway Construction Dollars
(from calendar year 2012 to calendar year 2020, 2nd quarter, base year 2012)



Forecast to Actual					
Receipts		Expenses			
State	\$ 3,693,632,892	Construction	\$ 3,446,369,089	MEMO: GAP Funding for NCTA from Highway Trust Fund Triangle Expressway - \$25,000,000 Monroe Connector - \$24,000,000	
Toll Rev./Int.	78,825,366	Construction - NCTA	404,900,924		
Federal	1,446,827,158	Maintenance	1,342,397,051		
Local & Other	67,296,054	Transit & Other modal	320,729,804		
Grants	91,648,900	Debt Service	247,713,959		
Debt - GARVEE	182,465,903	Fin. Credit Charge-NCTA	97,865,115		
Debt - Build NC	186,816,087	Admin	368,524,852		
Debt - NCTA	372,152,068	Agency Transfers	113,065,460		
		State Aid Municipalities	147,524,842		
		Other Programs	37,659,437		
Total	\$6,119,664,429	Total	\$6,526,750,535		
Forecast	6,544,977,435	Forecast	6,367,766,039		
Variance	(425,313,006)	Variance	158,984,496		
Variance %	-6.5%	Variance %	2.5%		